

## LYNCHBURG CITY COUNCIL

### Agenda Item Summary

MEETING DATE: **May 28, 2002 Work Session**

AGENDA ITEM NO.: **10**

CONSENT:

REGULAR: **X**

CLOSED SESSION:  
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **CSO Program Update and Proposed Reductions in CSO Project Design Criteria**

#### RECOMMENDATION:

Approve general concept of reductions in the non-eligible category items of Combined Sewer Overflow (CSO) projects and allow staff to include ineligible items in each specific project based on available funding.

#### SUMMARY:

##### **Section 1: CSO Program Update (Attachment 1)**

Staff will provide an overview of the history, current status, and future of the CSO program.

##### **Section 2: Proposed Reductions in CSO Project Design Criteria**

With declining Sewer Fund revenues and increasing debt service, sewer rates must continue to increase as shown in the recently adopted FY03 rates. With no or fewer State and Federal dollars becoming available, the future schedule of the CSO Program is questionable. To counter this trend, staff has prepared several options for Council's consideration, to help maintain a viable CSO Program.

From the beginning of the CSO Program, the Virginia Dept. of Environmental Quality (DEQ) has stipulated that certain construction items in the projects are not eligible for payment from State and Federal funds. These items are usually curb and guttering associated with street improvements, replacement of driveway entrances and non-construction related paving. Water system improvements are also considered ineligible, but are paid for from the Water Capital Projects Fund. To date, the project design criteria have included these items as a means of neighborhood and aesthetic improvement. With the replacement of deteriorated curbing, sidewalks and driveways at the same time the sewer is separated, the neighborhood is given a restored appearance; with few, if any, additional roadway repairs needed in the future. Except for small amounts of funding from the City Capital Projects Fund in recent years, these improvements have been paid for out of the Sewer Capital Projects Fund. With many other priorities, the City's General Fund has never been able to provide the necessary funds to wholly pay for the related street improvements. On average, these costs have ranged from 10% to 35% of the project costs. The total estimated cost for ineligible street work in the remaining 41 project areas (85 projects) is **\$46,816,708**. DEQ feels that CSO funding should go towards more actual sewer separation work, thereby completing the program in a shorter time period.

Information is attached showing pre-design and post-construction photographs of streetscape infrastructure problems in past and upcoming projects. If these improvements are dropped from the projects, it is unlikely they will ever be built.

PRIOR ACTION(S): Current design criteria were generally adopted in the 1994 CSO Program implementation

BUDGET IMPACT:

A study of the exact budgetary impact of this proposal has not been made, since funding scenarios fluctuate dramatically. But with a reduction of ineligible costs to the Sewer Fund, less funding will have to be borrowed at current market rates. Overall, approximately \$4,000,000 in estimated ineligible expenditures could possibly be eliminated from the Sewer Capital Fund over the next 6 years. If these funds were applied to the eligible portions of the CSO program, it could be shortened by several years.

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ATTACHMENT (S):

1. CSO Program Update/ Proposed Design Changes
2. Estimated Ineligible costs of upcoming CSO projects
3. Estimate of overall program costs
4. Infrastructure photographs
5. Special Order Criteria

REVIEWED BY:

## Attachment 1

### Section 1 – CSO Program Update

#### **A. Funding**

##### **(i) Federal Grants**

- To date the City has received \$17,241,000
- \$3,135,000 in federal grants not matched
- Congressional Authorization in 2000 for **Wet Weather Water Quality Act of 2000**. No appropriations to date.
- \$5,000,000 request made for FY03 Federal Budget

##### **(ii) State Grants**

- To date the City has received \$14,106,000

##### **(iii) Virginia Revolving Loan Fund (VRLF) (0% loans)**

- State made an award of \$2.6 million in December 2001

##### **(iv) Local**

- 10% sewer rate increase adopted for FY 03.
- Proposed FY-03 Sewer Fund Capital appropriation is \$6,751,000 (\$3,116,000 for CSO)
- Since 1993, sewer rates have risen over 160%

#### **B. Accomplishments of Long Term Control Program (LTCP)**

##### **(i) CSO Annual Report**

- Since 1993, City has appropriated over \$120,000,000 towards Water Quality projects with over \$82,000,000 for CSO abatement
- Spending based on the projected FY- 03 Median Household Income (MHI) of 1.48 % (new MHI not available at this time)
- Over 25 CSO Separation projects have been constructed, are under construction or in design
- Rainleader Disconnect Program (RDP) has removed over 8,200,000 square feet of impervious area from the combined sewer system
- All major interceptors, except the James River, have been replaced, reducing overflow frequency and carrying more combined flows to the Waste Water Treatment Plant and James River
- 82 out of 132 overflow points have been closed
- 2000 Storm Water Management Model (SWMM) showed over 60% reduction in overflow volume

##### **(ii) Nine Minimum Controls**

- Incorporated with the reissuance of the City's 1999 Virginia Pollutant Discharge Elimination System (VPDES) permit. City efforts continue in the following areas: recycling; street cleaning; maximizing wastewater treatment and transportation of combined flows; neighborhood meetings; media releases reflecting progress of CSO Program; and CSO discharge warning signs

#### **C. Project Status**

- (i)** Four separation projects under construction, with two additional planned for 2002. Two projects under final design. Army Corps of Engineers (ACOE) under agreement to design three additional separation projects. Rainleader Disconnect Program averages total owner payments of \$11,000/month
- (ii)** No Interceptors are under construction. ACOE under agreement to design four interceptor/collector replacement projects.
- (iii)** The James River Interceptor is still in limbo with no substantive responses on the City's request for access and easements from CSX Railway. City staff is reviewing concept of rehabilitating existing line.

#### **D. Future**

- (i) Declining revenues**
  - FY 02 - Q 3 Financial Report estimates a possible shortfall of \$1,159,364 in revenues for the FY 2002 Sewer Fund Budget
- (ii) Increasing debt service now estimated at \$6,602,624 in FY- 02**
- (iii) Lower Federal grant funding**
  - Started out asking for \$10,000,000 each year, have received average of \$3,500,000
  - Revisit 1998 push for 95/5% or 100 % grants. Will require support of Congressional representatives
- (iv) No state grant match for federal grant funding**
  - Recently, EPA allowed Virginia Revolving Loan Fund (VRLF) to be used as match for federal grants
- (v) Possible future revenue generators**
  - Near future cogeneration plant; new product line at major industry; renegotiations of major user contracts
- (vi) Possible change in design philosophy (ineligible issue)**
  - Projects include significant neighborhood street improvements
  - Small amount of General Fund money provided for projects

#### **Section 2– Proposed Design Changes**

#### **E. Proposed Changes**

- (i)** Reduce paving paid for from **Sewer Fund**
- (ii)** Eliminate replacement of concrete driveway entrances
- (iii)** Utilize lighter pavement trench patch in residential roadways
- (iv)** Eliminate sidewalk replacements/repairs
- (v)** Install curb and guttering only when necessary to control street drainage
- (vi)** Omission of stormwater quality ponds from projects

#### **F. Financial Impact**

- (i)** Ineligible costs of \$621,811 @ 5% borrowing, for one project, could be eliminated from Sewer Fund
- (ii)** The above reduction would allow an average of 5,000 linear feet of additional separation piping to be installed
- (iii)** Severe impact on General Fund Capital budget if items included
- (iv)** Stormwater Quality Ponds - \$500,000 non-grant funds spent on capital costs to date, impacts Sewer Fund Operation budget for maintenance crews/repairs

#### **G. Aesthetic Impact**

- (i)** (see before/after photos)
- (ii)** Incomplete look to neighborhoods
- (iii)** No continuing neighborhood improvements

#### **H. Long Range Impact**

- (i)** Could shorten program completion schedule

## Attachment 2

### Special Order Criteria (As of June 30, 2001)

Criteria	Special Order	Actual
Sewer Rate as ratio to Median Household Income	1.25% (minimum)	*1.42%
Unify Sewer Block Rates	By July 1, 1998	Complied
Debt Coverage Ratio	1.5 (maximum)- 1.1 (minimum)	1.19
Sewer Reserve Funds (based on subsequent year)	25% maximum	17%
Sewer Conveyance System Expansion	Must not exceed CSO Spending	Complied
Funding	Seek Outside grants and low-interest loans	Complied
Annual Compliance Report	Submit Annual Compliance Report by December 1	Complied
Project Implementation/Status Schedule	Update yearly	Complied
CSO Monitoring Program	Biosurvey/Fecal Coliform Testing	Complied

\* Based on a pro-rated figure from 1990 Census